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24 July 1969

MEMORANDUM FOR THE RECORD

SUBJECT: Director, Bureau of the Budget's Meeting with Executive and Budget Officers of the Government on FY 1970 Budget Outlays

1. The Director, Bureau of the Budget, outlined for the group the implications of the Government-wide expenditure controls contained in the supplemental appropriation recently signed into law.
2. Mayo explained that the President intends to hold federal spending to the figure presented to Congress in April [\$192.9 billion] and therefore it was necessary to cut \$3.5 billion from the projected expenditure level for FY 1970 of \$196.4 billion. [See Attachment A.]
3. Mayo advised that action would be taken to find the \$3.5 billion in expenditures from the Department of Defense and the civilian agencies. He pointed out that the cuts would be selective and not on a percentage basis, and that Defense would probably take a larger part of the cut this time than they had in the previous Nixon budget cut back in April.
4. In addition to FY 1970 expenditure cutbacks, Mayo stated that the President was committed to the Congress to reduce the overall U.S. Government personnel strengths. He explained that this commitment is the price paid for the repeal of Section 201 of the Expenditure Control Act of 1968 which required an employment policy of hiring three out of every four vacancies. He emphasized that the President is determined to stabilize Federal employment and to absorb a variety of new programs within the new reduced levels.
5. Mayo advised that the Bureau of the Budget will be required to report to Congress the impact of any Congressional action on the \$192.9 Presidential expenditure figure and to keep selected Congressional leaders advised on steps to control Federal employment. He observed that the uncontrollables were probably still somewhat underestimated and that he would be asking the agencies' views on these estimates in order to be certain the reporting from the Bureau of the Budget to Congress could include advice on these matters as well.

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6. Mayo stated that all agencies would be advised on targets within the new dollar and personnel figures; that there would be no room for requesting supplemental appropriations to accommodate unforeseen contingencies; that within the figure provided, the President expected such contingencies and inflationary costs to be absorbed. In response to a question, he advised that pay monies were included in the \$192.9 figure and supplementals for this purpose had already been considered.

7. Mayo advised that each agency's letter of advice would contain: (a) the assumptions used in setting the limitations imposed; (b) the FY 1970 expenditure limits; (c) a request for an agency plan to get down to the new figure, and the program implications for review and discussion with the Bureau of the Budget. Agency plans and implications will be required within ten days of issuance of the Bureau letter. In this context Mayo indicated that the benchmark for the reductions would be the April allowance letter sent to each agency on employment and budget levels.

8. A number of questions were asked by members of the group including further elaboration on supplemental requests, the employment ceilings and the FY 1971 target. Mr. Sam Hughes, Deputy Director, Bureau of the Budget, indicated that the 1971 target envisaged an extremely tight budget and would be somewhat more difficult to estimate than the new 1970 budget levels. He pointed out that he saw no relief in terms of new resources becoming available for programs which are already built in and promise to require expanded personnel and dollars. In addition he opined that the uncontrollables, i.e., such things as Medicare, Social Security benefits, and so forth, would absorb any fiscal dividend that did appear in the 1971 period. He therefore emphasized that execution of the 1970 budget and the planning for the 1971 projected budget should be studied together in agency planning in order to assure that starts in 1970 do not commit into 1971 beyond the resources likely to become available to the agency in FY 1971. He reiterated that the 1971 target figures would be provided to the agencies in the next several days and that they were very tight.

9. Mr. Hughes also reiterated that the President had decided now to find the area of reduction in FY 1970 expenditures rather than wait until Congress appropriates funds to the agencies. He recognized that Congress would learn about such planned cuts in FY 1970 but pointed out that the Presidential release [Attachment B] specifically cited the responsibility for holding Government levels to be a shared one with Congress.

[Redacted Signature]

John M. Clarke
Director/PPB

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TO	NAME AND ADDRESS	DATE	INITIALS
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2	<i>[Redacted] fyi</i>	<i>1/29</i>	<i>18</i>
3	<i>O/DDI for file (CPPB)</i>		
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Remarks:

Jack:

Attached is my memorandum of Record relating to the Press Release forwarded you a few days ago. As I indicated then, as further guidance is available I shall be back in touch with you.

[Signature]
John

by made for *[Redacted]*

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FROM: NAME, ADDRESS AND PHONE NO.	DATE
John M. Clarke, D/PPB	28 Jul 69

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